REPORT OF THE DIRECTOR-GENERAL

APPENDIX

International Labour Conference
89th Session 2001

INTERNATIONAL LABOUR OFFICE GENEVA

ISBN 92-2-111969-6
ISSN 0074-6681

First published 2001

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Printed in Switzerland

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APPENDIX

Report on the situation of workers of the occupied Arab territories

Introduction

1. This report is based on the mission sent by the Director-General to gather data and information on the employment conditions of workers of the occupied Arab territories,[1] as well as on documentation received by the ILO.

2. The Director-General appointed Mr. Jean-Michel Servais, Research Coordinator of the International Institute for Labour Studies, to represent him on this mission. He was accompanied by Ms. Alena Nesporova, Senior Economist, Employment Strategy Department, and Ms. Cécile Balima-Vittin, of the International Labour Standards Department (Equality and Employment Branch). The mission visited Israel and the occupied Arab territories from 28 April to 6 May 2001. During their stay the members of the mission were given every facility, and they wish to thank all the authorities concerned.

3. Another mission visited the Syrian Arab Republic from 9 to 11 May 2001. The representative of the Director-General was Mr. Lee Swepston, Chief of the Equality and Employment Branch. The mission held consultations with the government authorities and with the employers' and workers' organizations concerned. In particular, they met the Minister of State for Foreign Affairs, the Minister of Labour and Social Affairs and the Governor of the Province of Quneitra. They also met representatives of the Damascus Chamber of Industry, of the

[1] See the resolution concerning the implications of Israeli settlements in Palestine and other occupied Arab territories in connection with the situation of Arab workers, adopted by the International Labour Conference at its 66th Session (1980).

General Federation of Syrian Trade Unions and of the International Confederation of Arab Trade Unions (ICATU).

4. The information gathered in this report concerns the real conditions of work and employment of the workers of the occupied Arab territories in such areas as promotion of employment, equality of opportunity and treatment in employment, access to the labour market, working conditions, social security, poverty alleviation and industrial relations. In examining these different issues, the members of the mission were guided by the principles and objectives laid down in the Constitution of the ILO, including its Preamble and the Declaration of Philadelphia, as well as the international standards adopted by the ILO and the principles enunciated by its supervisory bodies. In particular, they bore in mind the provisions of the Discrimination (Employment and Occupation) Convention, 1958 (No. 111), the Equal Remuneration Convention, 1951 (No. 100), and the Employment Policy Convention, 1964 (No. 122). They took account of the relevant legislation in fields within the ILO's area of competence. The Palestinians living in Israeli-controlled portions of the territories continue to be covered by a body of law derived from Ottoman, British mandate, Jordanian and Egyptian sources (the legal framework in the Gaza Strip being Egyptian law and that in the West Bank Jordanian law), as well as by Israeli military orders. For the Palestinian-controlled areas, certain laws and regulations have been adopted by the Palestinian Authority; for example, a new Labour Code has been promulgated.

5. The representative of the Director-General and his colleagues held numerous meetings and discussions during the mission. They met the Israeli authorities in Jerusalem and Tel Aviv. They visited East Jerusalem, the West Bank and the Gaza Strip. They went to the village of Majdal Shams in the Golan.[2] The members of the mission benefited from the valuable assistance of Mr. Timothy S. Rothermel, UNDP Special Representative, who directs the programme of assistance to the Palestinian people. They also received friendly and efficient assistance from Mr. Khaled M. Doudine, the ILO's Senior Programme Adviser and General Coordinator for the West Bank and Gaza.

[2] The position of the Israeli Government regarding the Golan was stated in the following terms: "The ILO mission is meant to collect material for the Director-General's report on the occupied Arab territories. It is the position of the Government of Israel that the Golan, to which Israeli law, jurisdiction and administration have been applied, is not now such an area. In view of this consideration, approval for a visit of the ILO mission to the Golan was given as a gesture of goodwill and without prejudice. The decision to facilitate such an informal visit shall not serve as a precedent and does not contravene the Israeli Government's position."

6. The members of the mission met several Palestinian personalities in Ramallah, Gaza, Nablus and East Jerusalem. In particular, they met Mr. Rafiq Shaker Al-Natsheh, Minister of Labour, Dr. Sa'di Al-Krunz, Minister of Industry, Ambassador Dr. Ahmed Soboh, Director-General, Assistant to the Minister, Ministry of Planning and International Cooperation, and Dr. Mohammad Shtayyeh, Managing Director of the Palestinian Economic Council for Development and Reconstruction (PECDAR). They met Dr. Hasan Abu-Libdeh, President of the Palestinian Central Bureau of Statistics (PCBS), and two members of his staff. They also spoke with Mr. Ahmad Hashem Alzughair, President of the Federation of Palestinian Chambers of Commerce, Industry and Agriculture and President of the Arab Chamber of Commerce and Industry in Jerusalem, Mr. Ma'az Nabulsi, President of the Nablus Chamber of Commerce and Industry in Nablus, and Mr. Shaher Sa'ed, General Secretary of the Palestine General Federation of Trade Unions (PGFTU) and several of his colleagues in Nablus and in Gaza. In East Jerusalem they met Mr. Mahdi Abdel Hadi, President of the Palestinian Academic Society for the Study of International Affairs (PASSIA), and in Ramallah, Mr. Hasan Barghouthi, Director-General of the Democracy and Workers' Rights Center.

7. In the Golan they met members of the Arab community in the village of Majdal Shams.

8. The programme organized by the Israeli authorities included a meeting with Mr. Eli Paz, Senior Deputy Director-General, Ministry of Labour and Social Affairs, Mr. Mordechai Yedid, Deputy Director-General, United Nations and International Organizations, Ministry of Foreign Affairs, Ms. Vered Dar, Deputy Director-General, Macroeconomics, Economic Research and State Revenue Administration, Ministry of Finance, and numerous other senior officials of these ministries and of the Ministry of Defence. The members of the mission went to Tel Aviv to meet Brigadier-General Ya'akov Ohr, Coordinator of Government Activities in the Territories, Ministry of Defence.

9. Meetings were held with Mr. Yosef Gattegno, Head of the Labour and Human Resources Division, Manufacturers' Association of Israel, Mr. Dan Yarden, Chief Economist and Human Resources, Israel Hotel Association, and Mr. Yousef Kara, official in charge of international relations in the Histadrut trade union federation and several of his colleagues.

New developments

10. The events since the end of September 2000 have had a tragic impact on the situation of the workers covered by this report. Closures

of the territories and encirclements within them, considerable loss of income and the drastic increase in unemployment and poverty have unleashed a major crisis, from the humanitarian standpoint, for the Palestinian population. This crisis is becoming worse. The personalities who met with the Director-General and his colleagues, principally but not only on the Palestinian side, referred to this extremely serious problem.

11. This report will begin by looking at the negative effects of the current crisis on employment and the labour market in the occupied Arab territories and in Israel. While Israeli citizens have certainly not been the hardest hit economically by the current events, they have also suffered as a result, as will be seen below. The report will go on to deal more specifically with conditions of employment, social security and industrial relations. Lastly, it will examine technical cooperation programmes that have already been put in place by the ILO or were requested by the Palestinian personalities who met with the mission, and which might alleviate the situation of the workers concerned.

12. The Minister of Labour of the Palestinian Authority referred to the deadly violence perpetrated against Palestinians as well as the destruction of enterprises, farms, irrigation systems and trees by the Israeli army or settlers. He added that an increasing amount of land had been confiscated for military purposes, enabling existing settlements between Palestinian villages to be extended. The current situation made it virtually impossible to employ Palestinian workers in Israel, not only because only a limited number of them still held a work permit but also because they were turned away or subjected to various kinds of aggression at checkpoints. In these conditions, the unemployment rate had risen considerably and a substantial part of the population was living under the poverty line. Obviously, it was difficult at the present time to have a real employment strategy. What was more, child labour had spread in families deprived of income. Palestinians who went to work illegally in Israel were arrested, thrown in prison and heavily fined; their employers, especially Israeli Arabs, were also arrested. The Minister emphasized the need for the several thousand Palestinian workers who went to work legally in Israel to obtain guarantees for their personal safety.

13. The Minister also complained that transfers of taxes and other funds due to the Palestinian authorities had been frozen by the Israelis. He pointed out that closures not only of the borders of the Palestinian territories but also within them blocked the transport of raw materials, goods and finished products, both for import and for export;

these measures resulted in additional unemployment, since the Palestinian workers employed in the territories were unable to go to work regularly. Total losses were therefore considerable, amounting in his view to at least US$4 billion. However, the Ministry of Labour had put in place emergency plans to cope with this situation. Palestinian officials unable to move away from home were assigned tasks near their places of residence, and staff had been redeployed among the ministries. The Minister considered that technical cooperation programmes in the fields of vocational training and rehabilitation (which was becoming increasingly important in view of the growing number of persons with disabilities) and microcredits would be especially welcome.

14. The Minister went on to state that President Arafat had promulgated the new Labour Code on the occasion of May Day and that he would be willing to work with the ILO on its implementation, in particular in the drafting of implementing decrees and orders. In addition, the draft Social Security Code had been submitted to the Palestinian Legislative Council in first reading.

15. The Managing Director of PECDAR drew attention to Palestine's structural dependence on Israel. This situation was due to a number of different factors, in particular the military occupation; confiscation of land and establishment of settlements which meant that Palestinians had to leave their land and seek wage employment with Israeli employers; the fact that the vast majority of imports and exports were with Israel, since the Palestinian authorities did not control their external borders and, lastly, the organization of infrastructures in the territories under which electricity, water, sewerage and roads were linked to their equivalents in Israel. He emphasized the importance of technical cooperation with international organizations, including the ILO, for job creation and the development of vocational training. Specifically, he mentioned the possibility of establishing a modern and dynamic vocational training institute with ILO assistance. The need for such assistance was also emphasized by the Assistant to the Minister for International Cooperation. He pointed out that the Palestinian economy had been built on peace, which explained the economic interdependence with Israel and justified calls for the lifting of the closures and internal closures, in particular those within Palestine. The territories should seek to disengage from the Israeli economy.

16. The Minister of Industry, whom the mission met in Gaza, recalled the difficulties faced by Palestinians in exporting their products. In the current situation, production costs had inevitably risen,

especially since Palestinian businessmen had to use Israeli trucks to transport their goods. In these circumstances, the decision taken by a number of Arab States to eliminate import duties on Palestinian products in their countries might make it possible to partly offset this increase in costs. Some Palestinian enterprises were continuing to operate despite the events, both in the Gaza industrial zone and in plants located in the territories.

17. The Minister described the measures that had been taken to maintain workers in their jobs and even hire additional workers to compensate for job losses elsewhere. In particular, job rotation systems had been put in place, and the Palestinian Authority paid an employment subsidy covering about half the worker's wage.

18. The Minister emphasized the importance of ILO assistance, in particular in the field of vocational training. He highlighted four sectors in which such assistance would be especially welcome: textiles and clothing; leather and footwear; the food industry and the chemical industry. Given the competition from countries producing at very low cost even for the Palestinian domestic market, Palestinian enterprises had focused on exports, hence the need to improve product quality while enhancing the skill and productivity of the workers concerned. ILO assistance in this area could lead to the creation of up to 10,000 jobs.

19. These personalities, as well as other interlocutors, in particular those from the employers' and workers' organizations, also mentioned the following points in general. First, the recent events had had a devastating effect on the Palestinian economy and labour market. The poverty rate had risen sharply; the informal economy had spread, as had child labour; price increases due to the crisis and closures had further exacerbated the damage. Unemployment had increased considerably, particularly since land confiscation and the establishment of settlements had led to proletarianization of the Arab workforce and its dependence on Israel. In fact, as had been repeatedly pointed out to the mission, the Palestinian economy was entirely dependent on Israel and therefore the measures now being taken by the Israeli Government inflicted even worse suffering on the Palestinian population. One striking example was the freeze on the transfer of taxes, trade union dues and other funds. Over and above this, the internal dynamics of Palestinian society were affected; a number of non-governmental organizations (NGOs) had been set up to make up for the inability of the authorities to carry out some of their tasks owing to the situation.

20. The representatives of the Palestinian chambers of commerce, as well as other persons interviewed, drew attention to the extent to

which the various closures had disrupted the import of raw materials and equipment as well as the export of finished products; transport had become impossible or prohibitively expensive. Palestinian business people received authorization to travel in Israel only for a very limited time, if at all; moreover, this still did not guarantee that they would actually be allowed through the different checkpoints. The current situation had brought investment to an almost complete halt. In addition, there had been many cases of destruction of enterprise premises and farms as well as irrigation systems and crops, either by soldiers or by settlers. Moreover, Arab employers, in Jerusalem in particular, considered that they were the target of discrimination by comparison to the settlers, who benefited from many additional facilities for the transport and sale of their goods.

21. The representatives of the PGFTU in particular referred to the situation of Palestinian workers who continued to work in Israel, the industrial zones and the settlements. Those who were illegally employed – of whom there were more than one would expect – were pursued, arrested and fined. There were few in legal employment; these were the target of violence; the mission's interlocutors repeatedly requested that they be protected on the way to work. Even if they held a work permit, they could be stopped or turned away at checkpoints. The Democracy and Workers' Rights Center informed the mission of two serious cases of allegations of violence perpetrated against Palestinian workers. In the first case, Palestinians working in Tel Aviv and staying near Schunat Tikvah were beaten and stabbed in their sleep on 9 October 2000. The second case concerns a Palestinian worker killed on 15 November 2000 at Emek Eilat on the way to work; one of his fellow workers was allegedly wounded in the same incident.

22. The selection criteria for these workers were not clear, according to several of the personalities interviewed. Moreover, workers who had lost their jobs were prevented from asserting their rights in Israeli courts as they could not obtain permits to go there; in particular, complaints concerned unpaid wages (partly because the intifada had begun just before the end of September), severance pay, various social benefits (such as paid leave) and non-observance of the minimum wage. Lastly, the number of foreign workers from eastern Europe and Asia had risen drastically.

23. The situation of Palestinian workers employed within the territories has already been described. The mission has been told repeatedly that the closures had prevented workers from going to their workplaces or offices. They were also the target of violence

perpetrated by Israeli soldiers or settlers. In these cases, the mission was told, the guilty parties were not prosecuted or were judged leniently. Attention was drawn to the situation of fishermen in Gaza, who either were not allowed to take their boats out or, if they were, were prevented from working by measures taken by the Israeli army.

24. Lastly, many interlocutors drew the mission's attention to the urgent need to put into practice technical cooperation programmes to alleviate the situation of the populations affected. Mention was also made of the difficulties in implementing these programmes given the present situation. It was suggested that vocational training programmes be implemented, either locally or at the International Training Centre of the ILO in Turin.

25. The Israeli Coordinator of Government Activities in the Territories briefly outlined the policy of the Israeli authorities with regard to the Palestinian workers in the last few years. This policy consisted of establishing "islands of certainty" in a context that remained uncertain. Although there were still some sensitive issues such as that of security, dialogue had been established in the past with the Palestinian authorities concerning job opportunities in Israel. The latter had decided to minimize restrictions on Palestinian workers coming to work in Israel, along the lines mentioned in previous reports of the ILO.[3] The objective was to regularize this type of employment. The policy was also based on the idea that the Palestinians should share responsibility for maintaining security. This had yielded significant results prior to September 2000, since the number of days of partial or total closure of the territories had been very limited and about 120,000 Palestinian workers had come to work in Israel, taking illegal work into account. Moreover, the employment rate in the territories had been excellent. Industrial zones had been established along the "green line", infrastructures had been put in place with support from Israel, and investors had already shown some interest and even begun operations. In Gaza, the Karni industrial estate was already operational, and everything was ready in Tulkarm and Jenin. Again, an "island of certainty" had been established to the benefit of all concerned. What was more, Israelis had been encouraged to shop in Palestinian cities bordering on Israel, enabling people to meet and get to know one another.

26. The situation had completely changed in October 2000. Israeli citizens were no longer allowed to enter the territories because of the risks they would incur. Palestinians were no longer allowed in

[3] See for example para. 22 of the 2000 report of the Director-General on the situation of workers of the occupied Arab territories.

principle to enter Israel because of the numerous terrorist acts that had been committed, including by the Palestinian security forces, and because violence had been used as a means of political pressure. Some 5,000 terrorist acts had been perpetrated since the beginning of the uprising. Relations between the two populations had practically come to a halt because the Palestinian authorities had let people commit or even themselves committed terrorist acts or, in other cases, had not condemned them. However, the objective was still to alleviate as far as possible the situation of the Palestinian population, who were undeniably suffering as a result of this situation.

27. Now it was a matter of seeing whether "islands of certainty" could be maintained or re-established, added the Coordinator. First, industrial estates such as Erez and Atarot, which had been established along the "green line", continued to operate even though they were the target of daily attacks from the Palestinians, which had resulted in some establishments closing down.

28. Second, the Israeli authorities had sought to maintain regular employment of Palestinian workers from Gaza and the West Bank. The attack by a Palestinian bus driver in Israel had brought these daily migrations to a complete halt. Relations with the Palestinian security services had come to a standstill; the number of persons involved in the violence was so high that it was becoming difficult to ensure the necessary security control, and the Palestinian media had launched a veritable anti-Israeli brainwashing campaign fomenting hatred among the population. Nonetheless, the Israeli Government had endeavoured once again to minimize the consequences of these measures on the population and sought to restore regular levels of employment of Palestinian workers in Israel. An initial series of 4,000 work permits had been issued, followed shortly before the mission's visit by another package of 16,000 to 17,000 permits, totalling some 21,000 permits. This was being denied by the Palestinian media, which did nothing to ease tensions. If this policy turned out to be too difficult to apply, workers from other countries would have to be used to replace Palestinians in the long term.

29. Third, 1,000 Palestinian businessmen had been authorized to enter Israel. Their permits were delivered through the Palestinian authorities. Their number could reach 5,000. Although security concerns remained paramount, here again the Israeli authorities were making efforts to minimize restrictions on the movement of goods in both directions, limitations on fishing zones in Gaza and constraints on the movement of Palestinians through border crossings with Jordan and Egypt.

30. The Israeli senior officials who met with the mission pointed out the perverse effects of the crisis on the Israeli economy. The sectors that had been the hardest hit were tourism, construction and agriculture, as well as exports to the territories. There were also tangible if not directly measurable indirect effects on private consumption, investment and employment as well as the property tax compensation.

31. They pointed out that Palestinian workers were continuing to enter Israel legally. It was true that their numbers had been limited as a result of attacks or attempted attacks. Moreover, Palestinian workers coming to work in Israel were subjected to intimidation and even violence by other Palestinians attempting to discourage them from doing so. The mission's interlocutors emphasized that Israelis were not obliged to recruit Palestinian workers and that some Israeli employers were very reluctant to do so because of the risks it entailed. Nonetheless, the Israeli authorities felt that it was good policy to prevent impoverishment in neighbouring areas. They therefore sought to foster the economic development of the Palestinian territories, including by providing every facility to the NGOs assisting them.

32. The attitude of the Palestinians, the Israeli personalities went on to state, was not conducive to these efforts; in fact they discouraged Palestinian workers from coming to work in Israel and investors from bringing funds into the industrial zones. The Israeli authorities gave the members of the mission a list of enterprises and equipment in Israel and the industrial zones which had been the target of shootings or terrorist attacks by Palestinians, directly affecting many Palestinian workers. Moreover, insults and violence by Palestinians, riots and gunfire had prevented many Palestinian workers from going through checkpoints into Israel or going to work in bordering industrial zones. In addition, the false and malicious statements made by Palestinian personalities, according to the Israeli side, could only foment hatred and violence. While it was possible that Israeli citizens might have overreacted to the threats against them, it was undeniable that Palestinians opened fire on their brothers in the industrial zones and in the settlements or that they incited the population against the latter. The members of the mission handed the Israeli officials copies of documents they had received from the Palestinian side referring to cases of violence perpetrated against Palestinian workers. The senior Israeli officials stated that they were committed to conducting inquiries into these complaints, as they had done in the past, and that they would inform the ILO of the results. Several Israelis pointed out that it would be inconsistent to issue work permits while at the same time

creating difficulties at checkpoints; this would mean causing problems for themselves as well. If all the work permits were not being used every day, it was because there might be difficulties on the Palestinian side or a particular security problem had arisen.

33. The Israelis estimated the number of West Bank Palestinians working illegally in Israel at 15,000-20,000 persons. When they were discovered they were immediately arrested, as well as their employers, because these workers could constitute a security threat. They were escorted back over the "green line". As regards the situation of Palestinian workers in the territories, a distinction should be drawn between closures and the less severe encirclement measures; in the latter case people were allowed to pass through a security check. The aim was to minimize these security measures.

34. As regards the complaints of Palestinian workers concerning non-payment of wages and violations relating to their working conditions, senior officials of the Israeli Ministry of Labour and Social Affairs stated that a total of 52.5 million new shekels (NIS) (equivalent to about a quarter of this amount in US$) had been transferred to the workers concerned in the form of social benefits (workers had to indicate their bank account number when they were hired). If any problems remained to be solved, the Israeli labour administration was prepared to deal with them without the need to go to court.

35. As stated above, entry permits to Israel had been issued to Palestinian businessmen, whereas Israelis could not always enter the territories; this could also be called unfavourable treatment.

36. The Israeli officials also reiterated that they supported any technical cooperation project likely to improve the living conditions of the Palestinian population, including those for infrastructure (water, electricity, etc.) and industrial zones. They were prepared to contribute funds, as they had done in the past, for the organization of seminars on safety at work or vocational training, which had ultimately been cancelled by the Palestinian authorities. Nonetheless, if they were to be joint projects, both sides had to behave like partners on a completely equal footing.

37. The representatives of the Manufacturers' Association of Israel described the negative consequences of the current crisis on the economic situation and the labour market in Israel. While acknowledging that the repercussions were much more limited in Israel than in the Palestinian territories and that it was sometimes difficult to distinguish the direct effects of the situation from other purely economic factors, they emphasized the negative impact of the current

events on tourism, employment, exports of Israeli products into the territories and production capacity in the industrial zones, such as Atarot, which were under fire by the Palestinians. They confirmed that the number of foreign workers employed legally or illegally was on the increase. They pointed out that the fact that intermediaries were being used, including on the Palestinian side, for recruiting workers from the West Bank or Gaza, could pose a problem. Nonetheless, in this as in all the other cases, the persons concerned could take their case to the courts and seek help from Israeli lawyers in particular.

38. The representatives of the Histadrut confirmed that the organization employed four lawyers to defend Palestinian workers. Despite the situation there had been no decrease in the number of requests for assistance, which meant that these requests concerned issues that had arisen before the uprising. Since the persons concerned faced difficulties in coming to Israel, many issues were dealt with by telephone. Out-of-court settlements were also reached. If the case came to court, the persons concerned could be represented by a lawyer; if their presence was required and they were prevented from attending by events, the case was adjourned. The trade union officers pointed out that Histadrut lawyers visited the territories once or twice a week to hear complaints; most of these concerned severance pay, non-payment of the minimum wage and inaccurate social insurance declarations by some Israeli employers. In principle, the Israeli courts required non-citizens to pay a guarantee before lodging an appeal. However, a recent ruling by the national labour court had dispensed foreign workers from paying this guarantee, and this should also apply to Palestinian workers. The representatives of the Histadrut stated that they were prepared to cooperate with the Palestinian trade unions with regard to safety at work or vocational training; they considered that both parties could benefit from one another's knowledge and experience.

39. As explained in previous reports, the Golan was occupied by Israel in 1967 and annexed in 1981. The annexation was never recognized by the United Nations or by the Arab population, which has always lived in the region and which has always called itself Syrian. The Israeli-Palestinian agreements have not concerned this region. The position of the Government of Israel is that the Golan, to which Israeli law, jurisdiction and administration have been applied, does not constitute an occupied Arab territory within the meaning of the Director-General's report.

40. For its part, the Syrian Government has always objected strongly to the use of any term that describes the inhabitants of the Golan

otherwise than as Syrian Arab citizens under occupation. It has insisted that the region be referred to as occupied Syrian Golan, in accordance with the usage in United Nations resolutions. The Syrian Government also requested the establishment of a permanent committee of the International Labour Conference to discuss the situation in the occupied Arab territories.

41. The Syrian authorities have constantly stressed that the situation in occupied Syrian Golan does not really change from one year to another. They have for a long time mentioned the confiscation of land, the problem of water and the settlement policies. They add that unacceptable labour practices are still going on, including dismissals, discrimination in recruitment and wages, and the ban on taking holidays for national events celebrated by other Syrian citizens. The Syrian authorities requested health insurance and medical facilities for Syrian Arab citizens. They also mentioned the constraints imposed by the Israelis on the transport and sale of apples produced in the region.

42. The Damascus Chamber of Industry and the General Federation of Syrian Trade Unions regularly refer to the same problems. Specifically, they mentioned the destruction of fruit trees belonging to Syrian Arab citizens and the closing down of enterprises. The International Confederation of Arab Trade Unions (ICATU) emphasized the endemic problems faced by this population, referring in particular to discriminatory practices and the confiscation of land. It too requested the establishment of a permanent committee of the International Labour Conference.

43. The Governor of Quneitra also refers year after year to the working and living conditions of Syrian Arab citizens of the Golan and to the injustice they suffer in terms of wages, working conditions, unjustified dismissal and unemployment. He drew attention in particular to the situation of farmers and the occupation of land by the Israeli military authorities. He recalled the various measures taken by the Israelis to limit Syrian Arab farmers' production and reduce prices (buying up large quantities of apples on unfair terms; heavy taxes on the transportation and sale of production; heavy taxes on irrigation equipment).

44. During the mission's visit to the region, the members of the Arab community whom it met in Majdal Shams mentioned the same problems. They emphasized the extent to which land confiscation for the settlements created problems for agriculture. This meant competition for their products; what is more, it was unfair competition, since they were prohibited from increasing their apple production and hence

from renewing their fruit trees, and were not allowed to benefit from water resources on the same terms as the Israeli settlers. They recalled that they could not dig new wells or build new water reservoirs without obtaining authorization, which was only rarely granted and was accompanied by a high tax. This situation compelled Syrian Arab citizens to leave their farms and take up wage employment with Israeli employers in conditions of increasing economic dependence. Moreover, land belonging to village communities was considered by the Israelis as state land which could be neither built on nor cultivated, while the settlements, on the other hand, continued to expand.

45. The mission's interlocutors once again mentioned discrimination in recruitment and working conditions to which members of the Syrian Arab community were subjected, in particular teachers in public schools. Distinctions were made between those who had accepted Israeli citizenship and collaborated with the Israeli authorities, and those who refused to do so. Teachers in public schools who affirmed their Syrian Arab citizenship were only given precarious contracts to be renewed each year and were dismissed if they had contacts with other Syrian citizens. Moreover, these teachers were not allowed to take Syrian holidays off and were forced to teach certain subjects, such as history, in a biased manner. As for private schools, their directors and staff were subjected to all sorts of harassment.

46. The interlocutors also mentioned high unemployment, in particular for women, who were reluctant to work outside their own village, as well as extremely low pay which some Syrian Arab women were obliged to accept.

47. As for the Golan region, the Israeli authorities repeated that the subject lay outside the mission's mandate. They stressed nonetheless that these inhabitants were treated on equal terms with those of other regions of Israel, including with regard to water distribution. In the event of disagreement they could take their case to the courts. While certain problems did exist, linked to cultural traditions, in particular with regard to the employment of women, they were comparable to those encountered in other parts of Israel, and the authorities were endeavouring to solve them in the most effective manner.

Labour legislation, industrial relations and social security

Labour legislation

48. The Palestinian Labour Code was officially promulgated by President Yasser Arafat on May Day 2001, during the mission's visit. It

is therefore in force throughout the territories controlled by the Palestinian Authority as of that date, thus in principle putting an end to the application, in respect of labour legislation, of a body of law derived from Ottoman, British Mandate, Jordanian and Egyptian sources. The Palestinian Minister of Labour informed the mission that his department was in the process of drafting implementing regulations and ordinances under the different provisions of the Code, in consultation with other government departments and the ILO; he had informed the social partners that they would be consulted on these texts as soon as they were ready.

49. The PGFTU welcomed the official promulgation of the Labour Code, despite the delays that had held it up.[4] It considered, however, that it did not provide sufficient benefits to workers. In particular, it regretted that it did not deal adequately with the issue of equal opportunity and treatment between men and women in employment, including access to employment and training and equal remuneration, and wondered whether the Code met the requirements of the relevant ILO Conventions.[5]

50. The chambers of commerce responded more moderately to the promulgation of the Labour Code, stating that they would examine closely the implementing decrees and regulations that were currently being drafted by the Ministry of Labour. The employers expressed their concern to the mission regarding the application of the provisions of the Code on maternity protection, occupational accident and disease compensation and unemployment benefit. They considered that the rights enshrined in the Code entailed considerable costs for them, particularly in the current socio-economic situation; there was thus a risk that they would be counterproductive, making it much more difficult for women to have access to employment and increasing the likelihood of informal employment relationships spreading.

51. With regard to the Palestinians who continue to work in Israel, several Palestinian personalities repeated that the use of intermediaries to obtain work permits, particularly in the construction sector, was a very serious problem. The representatives of the Manufacturers' Association of Israel confirmed this. The time spent travelling to and from the workplace made the working day considerably longer.

[4] It will be recalled that the Act instituting a Palestinian Labour Code had been signed into law by President Arafat on 3 May 2000.

[5] The ILO is in the process of translating the Code into one of the official languages of the Organization.

52. Although the question of illegally employed workers is a long-standing issue, the mission's interlocutors conceded that the drastic reduction in the number of work permits issued since October 2000 had been accompanied by a sharp decrease in the number of Palestinian workers illegally employed in Israel. Israeli sources estimate the number of these workers at 15,000 to 20,000 today, compared to earlier figures of 60,000 to 70,000. However, according to the mission's Palestinian interlocutors, the Israeli authorities were much less inclined today to turn a blind eye to this phenomenon. They now applied the prescribed sanctions against Israeli employers who infringed the law, which had not been the case previously. Sanctions against Palestinian workers found in breach of the law had now been tightened and particularly severe fines were imposed. This concern to enforce the law strictly was confirmed by the Israeli authorities, who pointed out that this went without saying, especially in view of the current security problems.

53. Another problem linked to the current events is the increase in foreign labour. Given the needs of the Israeli economy, on the one hand, and limitations on the number of work permits issued by the Israeli authorities, on the other, combined with the reluctance of many Israeli employers to hire Palestinian workers (because of the attacks perpetrated by some of them and because security measures hamper the regular attendance of Palestinian workers), the Israeli authorities have raised the number of foreign workers from eastern Europe and Asia in the last seven months. These workers are generally recruited for a minimum period of two years, which blocks employment opportunities for Palestinians in the medium term. The mission's Israeli interlocutors all emphasized that replacing Palestinian workers in this way was not without serious problems, given the difficulty of integrating these foreign workers into Israeli society, as well as the higher costs entailed (accommodation, social benefits, the fact that these workers remitted their earnings to their countries of origin, etc.) compared to that of Palestinian workers, who went home at the end of the working day and spent their earnings locally.

54. As stated in previous reports, Palestinian workers holding a work permit are covered by the collective agreements signed by Israeli trade unions, but are not members of such trade unions. However, the Histadrut has four lawyers in charge of defending these workers' rights. One of the consequences of the current events is that many Palestinian workers have been unable to collect their wages for September 2000; moreover, many Israeli employers refuse to carry out formal dismissal procedures and hence to grant severance pay,

arguing that it is the State which is liable and that if it were up to them they would continue to employ these workers.[6] These difficulties were confirmed by the Histadrut lawyers in charge of defending the rights of Palestinian workers employed in Israel.

55. The Histadrut explained to the mission that, given the closures and the restrictions on the movement of Palestinian workers, its lawyers in charge of defending the rights of Palestinian workers employed in Israel make twice-weekly visits to the checkpoints controlled by the Israeli army in order to register workers' complaints, and have also set up a special telephone service. According to Palestinian officials, the security measures sometimes prevent Palestinian workers from seeking the counsel of their choice or appearing in court[7] – which results in adjournments – since their lawyers cannot represent them when they are summoned to testify in court. The number of complaints registered by the Histadrut lawyers does not appear to have dropped significantly since October 2000. From the examples given it seems that the complaints handled concern the following: non-payment of appropriate severance pay (about 55 per cent); non-payment of wages (10 per cent); non-payment of other termination benefits (15 per cent); social security benefits (10 per cent); and benefits due to Palestinian workers from the Israeli Employment Service (10 per cent).

56. The representatives of the Histadrut referred to lawsuits concerning the non-payment of severance pay. They stated that employers could be exonerated from liability if they proved that they were unable to keep their employees as a result of security measures taken by the Government. As regards disputes concerning social benefits, the Histadrut explained that in many cases, in order to lower their social costs, employers did not declare the number of hours and days actually worked (substantially affecting the number of days' leave and the amount of social benefits, severance pay and termination payments) and that the workers found it very difficult to prove this kind of fraud in court.

57. As regards its internal functioning, the PGFTU informed the mission that it was in the process of internal elections (by branch) and that if all went according to plan the elections would be com-

[6] According to the PGFTU, some of these workers have seven, ten or even 20 years' service with the same employer.

[7] Obviously, this situation does not apply solely to lawsuits concerning the application of labour law.

pleted by the end of June throughout the territories. The current closures were not conducive to the movement of persons. The mission's interlocutors pointed out, for example, that several PGFTU members who were to have participated in discussions with the mission had been prevented from travelling to Nablus and that for the last seven months PGFTU officers in Gaza had been unable to meet their colleagues in the West Bank. The PGFTU stated that the current situation had provided it with the opportunity to show the workers what it was capable of, which had led to an increase in membership. In particular, the federation had proceeded to register unemployed workers in order to be able to provide them with the social assistance they needed. However, this increase in membership was not yet reflected in terms of union dues, the PGFTU having decided to waive the payment of dues for some 119,000 members in view of the crisis. Officials of the federation again referred to the efforts they were making, despite the circumstances, to build a genuinely democratic and independent trade union movement.

58. The PGFTU stated that while certain Palestinian employers had displayed generosity in the current economic circumstances, this was not true of the majority, in particular when it came to dismissals and social security (medical care and sickness benefit, occupational accident and disease compensation, unemployment benefit, etc.). Many Palestinian employers had resorted to summary dismissals, i.e. without paying the prescribed severance pay or by paying less than the prescribed amount. In some cases collective actions had had to be filed to make certain employers back down and convince them that dismissal was not the only weapon they could use to cope with the current difficulties. By way of illustration, they cited the case of the owner of the Silvana enterprise, who had wished to dismiss some 100 employees and who, under pressure from the workers, had agreed to continue operations, while the Governor undertook to contribute part of the workers' wages. The PGFTU also drew the mission's attention to the large number of Palestinian workers employed without a contract, both in Israel and in the territories, which meant an equivalent reduction in the number of workers with social security coverage and hence entitlement to certain benefits.[8] In reply to a question on

[8] According to a study by the Democracy Center for Workers' Rights, *Economic rights in the West Bank and Gaza Strip*, Economic, Social and Cultural Studies Series, Study No. 1, Jan. 2001, the employees of 80.6 per cent of private sector enterprises operating in the territories do not have a written contract with their employer. This percentage is 85 per cent for Palestinian workers in Israel (including the settlements).

employers' concerns regarding maternity protection rights, occupational accidents and disease benefits and unemployment benefits, they considered that more time was needed, and that there was no question of compromising, recalling that the Labour Code represented the minimum floor of human rights at work.

59. The Palestinian Ministry of Labour informed the mission that in order to cope with a situation in which a number of public servants were prevented from going to work because of the territorial fragmentation imposed by the various closures, as far as possible they were temporarily redeployed. It also stated that following consultations, it had been decided to deduct 5 per cent of public servants' monthly salary, which would be paid into a mutual assistance fund. Another 5 per cent had been deducted to mitigate the financial difficulties of the Palestinian Authority.

60. Several of the mission's Palestinian interlocutors referred to what they saw as overstaffing in the public service and the cost this entailed for the budget of the Palestinian Authority. While they conceded that this was partly explained from a historical standpoint by the fight against unemployment, some regretted nonetheless that the criteria of competence and qualification had not always been adhered to in recruitment and that the Palestinian Employment Service had been reduced to a marginal role in many cases.[9] Lastly, a number of Palestinians emphasized that since the Palestinian Authority had been established, the population was very demanding and expected a great deal (sometimes too much) from the authorities, hence a certain amount of disappointment and the success of NGOs, which made up for the inadequacies, inevitable in the present context, of the Palestinian authorities.

Industrial relations

61. Despite the constraints on the movement of persons, which had become worse after October 2000, the mission's Palestinian interlocutors reported that tripartite cooperation was continuing between the Ministry of Labour of the Palestinian Authority, the chambers of commerce and the PGFTU on economic and social policy issues of common interest. The mission was informed that numerous consulta-

[9] According to the study referred to in the preceding note, 52 per cent of public sector posts have been filled in a centralized manner and without competition, compared to 62.1 per cent in the private sector. According to the same study, personal connections also played an important role in obtaining a job in Israel and the settlements and very few job vacancies were published.

tions had been held on the drafting of the Social Security Code, but that the events of September 2000 had brought these discussions to a halt. The three sides confirmed that consultations were imminent on the implementing ordinances and regulations under the Labour Code which were in the process of being drafted, and recalled that the adoption of the Code had been preceded by intensive consultation. The social partners explained that the current crisis meant that in practice a major share of their bargaining, consultation or exchanges of information focused on the implementation of emergency measures intended to alleviate the difficulties encountered by workers and employers. These included: (a) the decision to pay a lump sum of NIS 600 in many cases of termination of contract, especially for Palestinians employed in Israel; (b) the decision to waive health insurance contributions for a number of unionized workers in the private sector; and (c) the distribution of food parcels to the most needy.

62. Asked about the state of collective bargaining in the territories, the PGFTU pointed out that a collective agreement had been concluded in the telecommunications sector.[10] It admitted however that, given the current economic situation in the territories, collective bargaining in the private as well as in the public sector tended to focus on falling wages, and stated that it had concluded a number of agreements with employers to protect jobs under threat. Under these agreements, the workers accepted drastic pay reductions (up to 50 per cent in some cases) in order to keep their jobs.

63. However, it was true that tripartite activities and consultations were still sporadic and that this lack of an institutional framework for social dialogue was making itself felt. This absence could be attributed to the lack of a legal framework. It was hoped that the recent enactment of the Labour Code and the coming adoption of its implementing regulations and ordinances would be conducive to the establishment of high-quality social dialogue which would enable the social partners not to limit their discussions to solving problems on an ad hoc basis but also to deal with issues that were crucial for the development of the territories, such as the fight against poverty, the reduction of unemployment, the capacity to create opportunities for decent, well-paid and productive work for all the women and men who made up the Palestinian economically active population, strength-

[10] Under this agreement, the workers (some 4,000) obtained a 15 per cent wage increase.

ening democracy and the promotion of human rights and workers' well-being.

64. From many points of view, the promotion of a legislative framework and a system of industrial relations is linked to the establishment of an institutional structure for labour administration. The Palestinian Authority now had to set up an administration which would enable the Ministry of Labour to deal efficiently with the many labour and employment issues which had arisen (giving priority to designing an employment and labour market policy focusing on job creation in coordination with industrial policy) and thus identify its broader role in employment and economic development.

Social security

65. The question of compulsory social security contributions imposed on Palestinian workers employed in Israel was mentioned again this year. It has been extensively discussed in previous reports.[11] Briefly, these workers are not entitled to benefits that are conditional on residence. The Paris agreements provide that Israel will hold the monies deducted from the wages of the Palestinians working in Israel in its Equalization Fund until such time as the Palestinian Authority has created a corresponding fund into which the monies can be paid. The sums involved are now quite considerable. The Palestinian personalities who met with the mission stated that a Social Security Code prepared with ILO assistance had been submitted to the Legislative Council for first reading but that recent events had considerably slowed down the current consultation process.

66. Trade union leaders who met with the mission in Gaza in particular called for the transfer of the funds without waiting for the establishment of a social security structure. It should be pointed out that pending the adoption of this Code, Palestinians working in the West Bank remain covered by Jordanian labour law providing protection in the event of sickness, invalidity or occupational injury. Those in the Gaza Strip, however, come under Egyptian legislation of 1957 and are not covered by any social insurance system. PGFTU officials in Gaza indicated that, for the moment, health care was provided free of charge by decision of President Arafat.

67. The Israeli officials repeated that, before paying the funds, they were waiting for an adequate social security structure to be established

[11] See in particular paras. 85-91 of the 1993 report of the Director-General on the situation of workers of the occupied Arab territories, and paras. 71-74 of the 1994 report.

on the Palestinian side so that, in accordance with the Paris agreements, the final destination of the funds would be clearly guaranteed.

The economy and the labour market

68. With the protracted crisis, the Palestinian economy is facing a dramatic breakdown. Economic losses due to the extremely severe restrictions on the movement of persons and goods imposed on the Palestinian territories are accumulating daily. Direct losses alone have been estimated by UNSCO at some 50 per cent of the projected GDP for the crisis period, or US$10.9 million on average per day since early October 2000. Destruction of public and private assets and agricultural land has already cost tens of millions of dollars. The longer-term damage in terms of loss of investors' trust, external market share and the confidence of many young and highly skilled Palestinians in the future of their own economy, prompting them to leave the country, perhaps forever, is enormous. Large numbers of persons have lost their jobs in the domestic and Israeli labour markets and, as a result, one in every four workers residing in the Palestinian territories is now jobless. The share of households living below the poverty line was estimated in March 2001 at 55.7 per cent in the West Bank, and as high as 81.4 per cent in the Gaza Strip; it has most probably further increased since then. The losses on the Israeli side are also high. The direct losses for 2001 have been estimated at 1.5-1.9 percentage points of GDP growth compared to projections before the crisis, while indirect effects on the economy will probably be much higher.

The impact of the crisis on the Palestinian economy and the labour market

The economic situation

69. *Recent general trends*. The economic and social development of the occupied Palestinian territories has been negatively affected by the political situation in the region and the years of conflict and occupation. Nevertheless, economic development from 1997 to September 2000 was more favourable and gave reason to hope for sustainable improvement of the economic situation. After a period of serious recession between 1994 and 1996, the economy finally achieved positive growth in real terms: the annual growth rate of real gross domestic product (GDP) was estimated by the Palestinian Authority's Ministry of Finance and the International Monetary Fund (IMF) at 7 per cent in 1998 and 6 per cent in 1999. The corresponding gross national product (GNP) growth rates, which include earnings of Palestinians

working in Israel,[12] were estimated at 8 per cent and 7 per cent, respectively. As a result, despite rapid population growth, GDP per capita also increased by 1.7 per cent to US$1,574 in 1999, while GNP per capita rose by 2.6 per cent to US$1,940. The preliminary estimate of GDP per capita for 2000 (i.e. without anticipating the crisis) was US$1,584 and that of GNP US$1,971.[13] This positive economic growth resulted from a combination of several factors. First, the restrictions on the movement of workers and goods, preventing Palestinian workers from reaching their workplaces and impeding any economic activity in the occupied Palestinian territories, were lifted to a certain extent. The number of days lost owing to border closures between Israel and the occupied territories was 121 in 1996, decreasing to 26 in 1998, to 16 in 1999, and from January to September 2000 border crossings were closed for only three days.[14] Second, positive economic growth was based on a strong demand for Palestinian workers in Israel and in the domestic economy, as well as an increase in real wages, resulting in higher domestic consumer demand. There was also some positive development in investment activity during the period: a recovery in residential construction as a result of improved economic conditions and incomes of the population; growth of new company registrations by almost 40 per cent between 1998 and 1999; and an increase in bank credits to businesses, indicating higher confidence of entrepreneurs in future economic prospects.

70. Despite the economic progress achieved, however, the Palestinian economy has remained very fragile owing to its structural shortcomings and its extreme dependence on the Israeli economy. This is manifested in the fact that about 95 per cent of electricity and almost all water are supplied by Israel and also in its high trade deficit with Israel. Some three-quarters of Palestinian imports originate in Israel, while more than 95 per cent of all Palestinian exports go to Israel. In 1999, registered non-agricultural imports of goods from Israel amounted to US$1,759 million, while Palestinian exports to Israel totalled around US$454 million, generating a trade deficit of some US$1,305 million. For the first nine months of 2000, the figures were, respectively, US$1,416 million, 378 million and 1,038 million.[15] This territorial

[12] Remittances of Palestinian workers employed in Israel contributed 32 per cent to Palestinian GNP before September 2000.

[13] Office of the United Nations Special Co-ordinator (UNSCO): *Briefing on some indicators for the Palestinian economy* (Nov. 2000).

[14] idem: *The impact on the Palestinian economy of confrontations, mobility restrictions and border closures, 1 October 2000-31 January 2001* (Gaza, Feb. 2001).

[15] idem: *Report on the Palestinian economy (Spring 2000)*; idem: *The impact on the Palestinian economy* ..., op. cit.

imbalance is the consequence of the customs union with Israel created by the 1994 Paris Protocol on Economic Relations, which ensures free access for Palestinian goods to Israel and vice versa, while Israel keeps control over trade policies. Imports of goods from countries other than Israel are subject to import tax and therefore more expensive. Moreover, Israel controls external market access as well as the movement of Palestinian workers and goods inside and between the Gaza Strip and the West Bank. Severe restrictions on the movement of people and goods result in high transaction costs for Palestinians compared to their external competitors, reflected in higher prices for producers and consumers in the Palestinian territories but also in more expensive Palestinian exports to third countries. The extent of economic losses due to restrictions and security measures far exceeded the international aid in support of Palestinian economic development, estimated at some US$2.8 billion in the last five years.

71. Severe restrictions on the movement of people and goods imposed on the Palestinian economy after the outbreak of the second intifada have caused considerable economic losses. During the last quarter of 2000, the number of days of border closures reached 72, according to UNSCO, and the situation has not improved since then. This has directly affected earnings of Palestinian workers commuting for work to Israel as they cannot reach their jobs (this issue will be discussed in detail below). The international crossing points between the occupied Palestinian territories and neighbouring countries have also been closed to passengers and trade for much of the time.[31] In addition, border closures have been combined with severe internal closures and encirclements, during which the use of primary roads is prohibited and physical barriers are placed on many secondary roads in the Palestinian territories, in order to divert traffic of persons and goods. The need to use longer and less accessible routes and to wait in long queues of vehicles at numerous checkpoints has sharply increased average travel time and costs for Palestinians. These severe restrictions on movement have had a dramatic negative impact on incomes of Palestinian entrepreneurs and farmers, who have not been able to reach their traditional markets inside and outside the territories or obtain production inputs and have experienced considerable

[31] UNSCO estimates that between the beginning of October 2000 and the end of January 2001 in the West Bank the Allenby/Karameh crossing point was closed to passengers on 21 per cent of days and to trade on 36.5 per cent of days, while in the Gaza Strip the Rafah crossing point was closed to passengers on 98 per cent of days and to trade on 61 per cent of days. Gaza International Airport was closed on 52 per cent of days (see UNSCO: *The impact on the Palestinian economy* ..., op. cit.).

losses due to much higher transaction costs and the frequent need to resort to local markets with lower prices. The Chamber of Commerce in East Jerusalem estimated that the exploitation of production capacity in the manufacturing sector declined from 51 per cent before the crisis to only 5.5 per cent in the first quarter of 2001. In the tourism sector, in East Jerusalem, economic losses were estimated at between US$5.8 and 14.2 million per month in the period from October 2000 to March 2001. In addition, the frequent inability of workers to reach their jobs has created considerable problems. On the demand side, severe security problems caused a drop in the number of tourists, while domestic consumption declined considerably as a result of drastically reduced incomes of the population and of the Palestinian Authority.

72. The economic activities most affected by the crisis included hotels and restaurants; construction; agriculture; and municipal, social and personal services, where the proportional economic losses, measured in terms of the decline of their contribution to GDP, compared with the anticipated contribution, were estimated by UNSCO at 88, 79, 74 and 68 per cent, respectively, in October-November 2000. Based on these figures extrapolated for the following two months, UNSCO estimates direct economic losses at some 50 per cent of GDP produced in the period October 2000-January 2001.[17] If lost earnings of displaced Palestinian workers formerly employed in Israel are also taken into account, the direct economic impact of the crisis is estimated to reach more than one-fifth of the projected GDP for 2000. Average daily losses are thus estimated at US$10.9 million.[18] The PGFTU quotes an estimate of the Palestinian Ministry of Industry which puts daily losses at US$23.7 million.[19] The World Bank estimates the total decline in real GNP at almost 9 per cent in 2000 compared to 1999, which means a drop in GNP per capita to around US$1,630, i.e. about the level in 1994. Private consumption in real terms is estimated to have declined by 10 per cent in 2000 compared to 1999.[20] As the situation has not improved, the extent of economic losses has increased further. The Palestinian Ministry of Planning and Inter-

[17] ibid., based on data from a survey conducted by the Palestinian Central Bureau of Statistics (PCBS).

[18] ibid.

[19] PGFTU Gaza: *The annual report on PGFTU activities and the impact of Israel's closure and siege on the Palestinian economic and labour movement* (Jan. 2001).

[20] World Bank: "Trade options for the Palestinian economy", in *West Bank and Gaza Update* (Feb. 2001).

national Cooperation has estimated total economic losses in the tourism industry alone at US$122 million between October 2000 and March 2001.

73. Besides short-term losses, there are considerable longer-term negative effects of the present crisis on the Palestinian economy. The crisis has already affected private investment, estimated to have dropped by 15-20 per cent in 2000 compared to 1999.[21] However, and even more importantly, it is severely undermining the confidence of domestic and foreign investors in the safety and profitability of investing in the Palestinian territories, with negative repercussions for future job creation. Public investment in infrastructure, crucial for stimulating private business development and so far largely funded by the international community, has also significantly declined during the crisis, exacerbating the already bleak economic prospects. Moreover, Palestinian exporters are losing their market shares both in Israel and in third countries, which are taken over by competitors and will be difficult to regain after the crisis is over. In addition, Palestinian interlocutors stated that the Israeli army has destroyed thousands of dunams of agricultural land, irrigation systems, greenhouses and other agricultural equipment, numerous citrus orchards and olive and date groves, as well as buildings on Palestinian-owned agricultural land.[22] UNSCO reports serious damage by the Israeli army, but also by Israeli settlers, to private and public assets – buildings, infrastructure and vehicles – estimated in the tens of millions of dollars.[23] The Palestinian Authority's Minister of Industry informed the ILO mission that 57 factories in the occupied Palestinian territories had been partly or totally destroyed, including 39 in the Gaza Strip. Their recovery will involve considerable time and expense.

Situation on the labour market

74. *General trends.* Labour market trends have reflected general economic developments. The labour market situation considerably improved in the period from 1998 to September 2000, when both the domestic economy and the Israeli labour market were able to absorb high labour inflows. This resulted in increasing employment and de-

[21] ibid.

[22] This is also mentioned in the United States Department of State's *Country report on human rights practices: Occupied territories* (Washington, DC, Feb. 2001). The report states that the Israeli Defence Forces justified this destruction on grounds that the land was used by Palestinian snipers for purposes of concealment.

[23] UNSCO: *The impact on the Palestinian economy* . . ., op. cit.

clining unemployment and underemployment. However, this positive trend has been completely reversed since October 2000.

Population and labour force

75. Demographic projections of PCBS put the total resident population in the Palestinian territories at 3,298,951 in mid-2001. Almost two-thirds – 2,102,360 persons – live in the West Bank and one-third – 1,196,591 persons – in the Gaza Strip. The population growth rate is very high at over 4 per cent a year, and the total population is projected to exceed 4 million by the end of 2005 and 5 million by 2010. It is also a young population: in 2000 the share of people aged under 15 years was 47 per cent. Palestinian families are generally large: the number of children per woman was 5.4 for the West Bank and 7.4 for the Gaza Strip in 1999.

76. According to a recent PASSIA study,[24] the number of Israeli settlers in the occupied territories increased between 1999 and 2000 (end of December figures) from 177,000 to 199,000 persons, of whom some 6,500 lived in the Gaza Strip and the rest in the West Bank. These figures exclude Israeli settlers in East Jerusalem, estimated at 180,000 by the end of 2000. The number of settlements varies according to source from 145 to 190. In the West Bank, 85 per cent of the settlements are very small in terms of their residential area (less than 1 square kilometre) and population size (fewer than 700 inhabitants). According to the PASSIA study, since 1993 three new settlements have been established and the housing built in settlements increased by over 52 per cent between 1993 and 2000. Although the Israeli Government attributes their expansion to natural population increase, Palestinian interlocutors pointed out that many settlements are only partly inhabited and many of the houses are empty.

77. The quarterly PCBS labour force surveys indicated an increase in the labour force by 5.3 per cent during the first nine months of 2000, compared with the same period of 1999. The total labour force thus reached 735,000 persons in the third quarter of 2000. However, there was a significant decline in the labour force between the third (Q3) and fourth quarter (Q4) of 2000 by 9.1 per cent to 668,000. This number remained almost unchanged – 670,000 – in the first quarter of 2001. The labour force participation rate slightly decreased by 0.3 percentage points in Q1 2000 compared to the same period of 1999 (see

[24] Palestinian Academic Society for the Study of International Affairs (PASSIA): *Settlements and the final status talks*, Special Bulletin (Jerusalem, Mar. 2001).

Table 1. Palestinian labour force indicators, 1999-2001 (as a percentage of the total labour force)

Indicator	1999 (first quarter)			2000 (first quarter)			2000 (fourth quarter)			2001 (first quarter)		
	Total	West Bank	Gaza Strip	Total	West Bank	Gaza Strip	Total	West Bank	Gaza Strip	Total	West Bank	Gaza Strip
Participation rate[1]	41.1	43.3	36.6	40.8	42.1	38.2	39.2	42.9	32.0	38.8	41.6	33.4
Employment rate[2]	80.2	80.7	79.0	85.7	86.8	83.2	66.9	68.1	63.7	69.2	71.6	63.4
Unemployment rate	13.9	11.8	18.9	10.9	8.9	15.3	28.3	26.3	33.5	26.9	23.9	34.1
Wage employment	67.5	65.6	72.3	67.4	66.8	68.8	59.3	57.0	65.9	64.1	62.6	68.3
Self-employment[3]	25.3	26.3	22.4	24.8	25.6	23.1	27.7	29.4	22.7	26.4	28.1	21.4
Unpaid family workers	7.3	8.0	5.3	7.8	7.6	8.1	13.0	13.6	11.4	9.5	9.3	10.3
Employment in Israel and Israeli settlements	23.6	26.6	15.9	21.9	25.3	14.1	9.1	11.3	2.7	14.6	19.1	2.0

[1] Share of employed and unemployed persons in the total population aged 15 and over. [2] Proportion of the labour force working at least 35 hours a week. [3] Employers, the self-employed and own-account workers.

Source: PCBS labour force surveys.

table 11. In Q3 2000, it reached the highest level since the launching of the labour force surveys in 1995 – 43.5 per cent (45.3 per cent in the West Bank and 40.1 per cent in the Gaza Strip). By contrast, the end of 2000 saw a considerable decline in the participation rate by more than 4 percentage points to 39.2 per cent as a consequence of the crisis. In the Gaza Strip, the decline by 8 percentage points (to 32 per cent) was three times larger than in the West Bank, where it dropped by 2.4 points (to 42.9 per cent). The rate further decreased slightly to 38.8 per cent in the first quarter of 2001 (41.6 per cent in the West Bank, 33.4 per cent in the Gaza Strip).

Employment and unemployment

78. Employment data for the period until mid-2000 also indicated constant improvement, although its dynamics have slowed down

considerably since the beginning of 2000. The rate of full-time employment (defined as the proportion of employed persons working at least 35 hours a week) increased from 80.2 per cent in Q1 1999 to 85.7 per cent in Q1 2000 (see table 1). For the West Bank the corresponding figures were higher (80.7 and 86.8 per cent) than in the Gaza Strip (79 and 83.2 per cent). The outbreak of the crisis resulted in a dramatic decline in the employment rate to 66.9 per cent for the whole of the territories in Q4 2000. The Gaza Strip suffered a sharper drop (to 63.7 per cent) than the West Bank (68.1 per cent). Rather surprisingly, underemployment also decreased from 6.4 per cent of the labour force in Q3 2000 to 4.8 per cent in Q4 2000, which could probably be explained by the loss of many part-time jobs owing to the current crisis. The declining trend in unemployment, reaching the lowest ever rate in the second quarter of 2000 – 8.8 per cent (6.5 per cent in the West Bank and 13.8 per cent in the Gaza Strip) was abruptly reversed and climbed to 28.3 per cent in the last quarter of 2000, slightly declining to 26.9 per cent in the first quarter of 2001 (23.9 per cent in the West Bank and 34.1 per cent in the Gaza Strip).

79. Considerable improvement in employment performance in the pre-crisis period should be attributed both to massive job creation in the domestic economy as a result of the fast growth of the Palestinian economy, and to a higher demand for Palestinian workers in Israel. Of some 47,000 additional jobs for Palestinians in 1999, two-thirds, i.e. 30,700, were created in the occupied Palestinian territories, while 16,200 new jobs for Palestinians were opened in Israel, the Israeli settlements and the industrial zones. Domestic employment thus increased by 7.8 per cent in 1999, while the number of Palestinians working in Israel grew even faster, by 13.5 per cent compared to 1998. About 70 per cent (23,100 jobs) of new domestic jobs were created by the private sector and 30 per cent (9,200 jobs) by the Palestinian Authority. This rapid growth continued in the first nine months of 2000, when employment increased by 8.8 per cent. The main employment generator was the domestic economy (a 9.7 per cent increase), while the number of Palestinians working in Israel rose only by 4.6 per cent.[25] However, the present crisis sharply reduced employment in the domestic economy by 15.4 per cent. Job losses of Palestinian workers in Israel were much more dramatic, by 70 per cent from 145,886 in Q3 2000 to only 43,653 persons in Q4 2000. According to the PCBS labour force survey for the first quarter

[25] UNSCO: *Report on the Palestinian economy*, op. cit.; World Bank: "Trade options for the Palestinian economy", op. cit.

of 2001, total employment slightly recovered by 2.3 per cent, mainly owing to a 6.5 per cent increase in employment of Palestinians in Israel, the industrial estates and the settlements to 72,000, while domestic employment further declined by 4 per cent. However, the Israeli Coordinator of Government Activities in the Territories expressed doubts about this increase in the number of Palestinian workers in Israel, the industrial estates and the settlements, estimating the actual figure at some 46,000-60,000 workers.

80. *Work in the West Bank and the Gaza Strip.* PCBS labour force survey data for the first quarter of 2000 show that wage employment contributed 67.4 per cent to total employment, while the share of employers was 5.1 per cent, that of self-employed and own-account workers 19.7 per cent and that of unpaid family members 7.8 per cent. The economic crisis significantly changed the picture as part of dependent employment evaporated and families had to adjust to the new situation by shifting to more own-account activities. By the first quarter of 2001, the share of wage employment had declined to 64.1 per cent of total employment in favour of employer/self-employment, which increased to 26.4 per cent, and unpaid family work, accounting for 9.5 per cent. The crisis also significantly affected the employment structure by economic activity. In the first quarter of 2000, commerce, hotels and restaurants contributed 17.3 per cent, transport 5.3 per cent and services 29 per cent to total employment, while the share of agriculture was 12.6 per cent, manufacturing 14.4 per cent and construction 21.4 per cent. Services, agriculture and construction were the main job generators in that period. In the first quarter of 2001, the proportion of construction in total employment had sharply declined to only 13.6 per cent, while the share of manufacturing (14.9 per cent) and agriculture (12.1 per cent) changed only negligibly. By contrast, the contribution of commerce, hotels and restaurants increased to 19.3 per cent and that of services to 35.1 per cent of total employment, the latter mainly owing to the stabilizing effect of employment by the Palestinian Authority. The crisis mainly hit employment in the private sector, while public sector wage employment, mostly in the Palestinian Authority, remained roughly at the same level as the previous year and is estimated at some 128,000.

81. *Work in Israel, in the industrial zones and in settlements.* Employment of Palestinian workers in Israel, Israeli settlements and industrial zones has been an important factor in the absorption of the large Palestinian labour supply. However, the severe restrictions on movement imposed by the Israeli authorities prohibit Palestinian residents of the West Bank and the Gaza Strip from moving between

these areas or entering East Jerusalem or Israel without an entry permit. Palestinians wishing to work in Israel, Israeli settlements or industrial zones need a work permit in addition. Work permits are subject to a quota set by the Israeli Ministry of Defence, which issues the permits which are then distributed by the Palestinian Authority (usually through employment agencies). Such work permits are often difficult to obtain and are always expensive (costing approximately US$100, according to some interlocutors). Moreover, valid work permits are not always honoured, in particular in situations described by Israeli authorities as raising security problems (i.e. in connection with violent incidents or for their prevention or during periods of comprehensive or partial border closure). Apart from work permits, there are temporary permits for business people and traders from the occupied territories to do business in Israel. In addition, a new "businessmen's card" was introduced in 1999, allowing holders to enter Israel in their own vehicles, to stay there overnight and to move freely between the West Bank and the Gaza Strip. These permits were cancelled in the first days of the intifada, but the Israeli Ministry of Defence has recently decided to renew them, although without allowing holders to take their own vehicles and stay overnight in Israel.

82. The total number of work permits issued for work in Israel, Israeli settlements and industrial zones slightly increased by 3.9 per cent from 54,644 to 56,752 between 1998 and 1999, according to UNSCO. The Israeli Coordinator of Government Activities in the Territories put their number at approximately 60,000 in September 2000. The proportion of permits actually used is lower, in particular as a result of border closures. However, owing to fewer days of closure in 1999, the actual labour flows of permit holders were estimated by UNSCO to have increased by 8 per cent to 50,102 per month on average. According to other statistics obtained from the Palestinian Ministry of Labour, the monthly number of work permits was lower: 43,944 on average in 1998 and 47,202 on average a year later (the numbers probably refer to the permits actually used, although the document does not specify this). In the first nine months of 2000, the number of work permits decreased slightly to 44,745 on average per month. According to the same source, the figure remained fairly stable in 1999 and from January to September 2000, unlike in the previous years. Also in contrast with the previous years, when the distribution of work permits between the West Bank and the Gaza Strip was more or less equal, in 1999 this ratio shifted in favour of the Gaza Strip (about 40 per cent of work permits were for West Bank residents and 60 per cent for those of the Gaza Strip). This trend

continued in the first three quarters of 2000, when the proportion was 37 to 63 per cent. Tightened restrictions on movement in connection with the outbreak of the uprising were immediately reflected in drastic reductions in the number of work permits since October 2000. UNSCO reports that while some work permits were still used in the first week of October, the border closure imposed on 9 October and remaining in force for most of the period until now has meant not only a sharp drop in work permits but also frequent denial of entry to permit holders by Israeli border authorities. According to the Israeli Coordinator of Government Activities in the Territories, some Palestinian workers are also discouraged from using work permits in order to avoid being suspected of collaboration with the Israelis, or they are sometimes prevented from entering Israel at border crossing points by militant Palestinians. According to the abovementioned statistics obtained from the Palestinian Ministry of Labour, no work permits were used in October and November 2000, 14,183 permits were used in December 2000, 18,035 in January, 16,427 in February and 2,510 (none of them in the Gaza Strip) in March 2001. According to the Israeli Coordinator, a substantial number of time-limited permits for business people and traders are issued, and the quota for businessmen's cards is 1,000.

83. Data from the PCBS labour force survey indicate that the share of workers commuting for work to Israel and Israeli settlements in total employment increased considerably between 1996 and 1999, from 14.1 per cent to 23.6 per cent, but slightly declined in 2000 to 21.9 per cent. There were several factors behind this rising trend: higher labour flexibility and lower wages compared to Israeli workers, from the Israeli employers' standpoint; and higher wages and frequently better working conditions compared to Palestinian employers, from the Palestinian workers' point of view. The establishment of "closure-free" industrial zones in border areas improved the access of Palestinian workers to jobs in Israel. The abovementioned decline in the number of days of border closure also significantly contributed to this increase in employment. However, the slowdown of employment growth in 2000 already indicated saturation of demand for labour on the Israeli market and relatively poor prospects for a further increase in employment of Palestinians in Israel.

84. Apart from the estimated 45,000 to 50,000 work permit holders commuting daily to Israel in the first three quarters of 2000, another 15,000 to 19,000 were workers from East Jerusalem who did not need permits. PCBS labour force survey data for the third quarter of 2000 put the number of Palestinian workers in Israel at 145,000, which

suggests that some 75,000 to 85,000 Palestinians were "undocumented" workers. Almost 80 per cent of Palestinian workers in Israel were West Bank residents, while slightly over 20 per cent were from the Gaza Strip. UNSCO estimates the number of Palestinian workers lower at some 130,000 for the same period and suggests that some 69,000 were permit holders or East Jerusalem residents, while about 61,000 were illegally employed. The border closures imposed in October 2000 led to a drastic displacement of more than 100,000 Palestinian workers from Israel. According to PCBS labour force survey data, the number of workers from the occupied Palestinian territories in Israel declined to some 44,000 in the last quarter of 2000 and partly recovered to 72,000 in the first quarter of 2001. Practically all Palestinian workers (69,000) came from the West Bank and only a few (3,000) from the Gaza Strip, owing to its almost complete closure. However, this figure was considered by the Israeli Coordinator as very high. He estimated that at present some 25,000 to 32,000 Palestinians from the West Bank, including those from East Jerusalem, were legal workers in Israel, 6,000 to 8,000 legal workers in industrial zones and Israeli settlements, while between 15,000 and 20,000 were illegal workers.

85. The Israeli Coordinator of Government Activities in the Territories emphasized that promotion of employment of Palestinian workers in Israel was the main priority in the current situation. Prior to October 2000, the Israeli Government adopted a number of measures with the aim of increasing the number of Palestinian workers employed in Israel. They included cancelling the quota system; reduction of the minimum age of workers to 21; approval of overnight stays for Palestinian workers in Israel; joint Israeli-Palestinian security clearance at checkpoints; extension of working hours in Israel to 7 p.m. or later; coordination and organization of employment fairs; and implementation of the "continuous employment programme". Based on the idea of maintaining a degree of stability and continuity in employment, the programme allowed a number of carefully screened Palestinian workers to have their work permit rapidly renewed after it had been withdrawn during comprehensive closures or at times of threat. Some activities were also initiated with the aim of promoting the employment of Palestinian high-tech workers in the Israeli high-tech industry. Great hopes had been raised, mainly in connection with the establishment of industrial zones in border areas, subject to more relaxed security measures. The Gaza industrial zone near Karni had been opened in 1999 and included 22 factories owned by Israeli and Palestinian investors and providing jobs to some 1,500 Palestinian workers. Its second stage in 2000-01 provided for the establishment

of 75 factories with 5,000 workers, while the third stage set the employment target at 25,000 workers. Two other industrial zones had been developed in Tulkarm and Jenin and the infrastructure was already ready for investors from both sides, the Tulkarm zone being mainly intended to be specialized in high-tech industries. However, while the Gaza industrial zone now worked at 40 per cent of its capacity, according to the Palestinian Authority's Ministry of Industry, the other zones had not started operations in view of security problems. The Israeli Coordinator emphasized that it would further promote employment of Palestinian workers in industrial zones, including those fully operated by Israeli investors. At present, the number of Palestinians working in industrial zones totalled 4,000. It was planned to increase it by 11,000 in the near future and subsequently to 21,000 workers. Nevertheless, the Israeli Coordinator mentioned that Israeli employers were becoming increasingly reluctant to employ Palestinian workers owing to their frequent absence caused by security measures. He also spoke about stricter application of sanctions to both Israeli employers and Palestinian workers for illegal work because of security considerations. Lastly, he referred to the intention to increase the quota for businessmen's cards to 5,000.

86. The Palestinian Ministry of Labour, in close cooperation with the Palestinian Economic Council for Development and Reconstruction (PECDAR), has launched an emergency employment generation programme aimed at absorbing a maximum number of displaced workers. The short-term jobs are mainly concentrated in the rehabilitation of infrastructure in the Palestinian territories, cleaning of public areas and other community works. According to the PGFTU, 17,800 unemployed persons have obtained such jobs so far. Within this programme, intended to be mainly financed by international donors, PECDAR intends to launch a number of micro-projects on rehabilitation and upgrading of local roads, education and medical facilities, construction of water supply systems, etc., all of them with a high labour component (not less than 35 per cent of total costs should go on labour) within a limit of US$150,000. The Palestinian Minister of Industry also informed the mission about a programme of subsidized employment (under which it pays a share of wages) in the industrial sectors. The programme helps avoid redundancies and keep employment in the industrial sector almost at previous levels.

87. *Women in the labour market.* There is a wide gap between the labour force participation rates of men and women in the occupied Palestinian territories. According to PCBS labour force survey data for the third quarter of 2000, the male rate of 75.2 per cent

contrasted with the 15 per cent female rate in the West Bank, while the corresponding figures for the Gaza Strip were 68.4 and 11.7 per cent, respectively. Low participation of women is the result of many factors, including cultural ones, but is also due to the fact that they are frequently engaged in casual work, which is only partly recorded by the labour force survey. However, as indicated in last year's report, the main form of discrimination against women remains their much worse access to employment. Women are also discriminated against in terms of remuneration: some Palestinian interlocutors emphasized much lower wages of Palestinian women workers compared to their male counterparts, even in cases when they had a higher level of education. The female participation rate increased between 1999 and the third quarter of 2000 by 2.5 percentage points in the West Bank and by 1.4 points in the Gaza Strip. As a consequence of the economic crisis, the participation rates of both sexes declined since October 2000: in the West Bank the male participation rate dropped to 71.7 per cent and the female rate to 11.1 per cent, with a sharper drop in the Gaza Strip to 58.3 and 8.4 per cent, respectively, in the first quarter of 2001. Male workers have thus been much more severely affected by the crisis than female workers.

88. *Wages.* One of the reasons why Palestinian workers are seeking jobs in Israel is the difference between wages paid in the Palestinian territories and those in Israel. According to the PCBS labour force survey, the average daily net wage (cash net wage paid to the wage employee by the employer) in Israel and the Israeli settlements amounted to NIS 110.8 in the third quarter of 2000, compared to NIS 70.3 in the West Bank and NIS 50.4 in the Gaza Strip. During the period of economic crisis the average net wage did not change in the West Bank (NIS 70.5 in Q1 2001), while it slightly increased in the Gaza Strip (NIS 54.6) but declined in Israel (NIS 104.9). However, several Palestinian interlocutors from the Chambers of Commerce and Industry in Nablus and East Jerusalem and from the PGFTU pointed out that in order to partly compensate for financial losses and limit redundancies, many employers reduce employees' wages. The PGFTU mentioned several cases in which agreement was reached between the employer and the trade union to avoid dismissals by cutting wages. Moreover, take-home wages are actually further reduced by the need for workers to pay the higher transportation costs entailed by the severe restrictions on movement.

89. *Unemployment.* The unemployment rate declined considerably from 23.8 per cent in 1996 to 8.8 per cent in the second quarter of 2000, slightly increasing to 10 per cent in the third quarter of 2000,

according to PCBS labour force surveys.[20] The unemployment rate for men was 9.5 per cent and higher for women at 12.6 per cent. The crisis deprived a large number of workers of their jobs and unemployment climbed to 28.3 per cent of the labour force within the first three months of the crisis. There was a considerable difference between the West Bank, where the rate was estimated at 26.3 per cent, and the Gaza Strip, with 33.5 per cent. In addition, many workers completely withdrew from the labour market as they lost all hope of finding a job under the current circumstances. If they are included in total unemployment, the combined share of "active" and "discouraged" jobseekers is 39.7 per cent in the whole of the Palestinian territories, 34.7 per cent in the West Bank and 50.8 per cent in the Gaza Strip. In the first three months of 2001, the unemployment situation seems to have slightly improved, according to the latest labour force survey. This is mainly due to reportedly higher employment of Palestinian workers in Israel and Israeli settlements, as mentioned above. Unemployment declined to 26.9 per cent but remains very severe as one in four workers in the Palestinian territory is not engaged in gainful activity. This slight improvement concerns mainly the West Bank, where the rate decreased to 23.9 per cent, while in Gaza it increased further to 34.1 per cent. A breakdown of unemployment rates by age group and by sex again shows that men were much more severely affected than women (see table 2). On average, the male unemployment rate increased by 18.1 percentage points and the female rate by 1.6 points between the first quarters of 2000 and 2001. Young people in general were hit much harder by unemployment: among males the 15-19 age group experienced the highest rates (41.4 per cent of the total population aged 15-19), followed by the 20-24 age group (36.6 per cent) in early 2001. Among women, the highest unemployment rates are in the 20-24 age group (29.5 per cent), followed by the 25-29 age group (17.2 per cent).

90. A special survey on the impact of the Israeli measures on the Palestinian labour market was launched by PCBS in March 2001. According to this survey, 144,932 workers had lost their jobs in Israel, of whom 95,916 were from the West Bank and 49,016 from the Gaza Strip. Of these, 86.9 per cent were wage employees, 8 per cent self-employed and 1.9 per cent unpaid family members, while 3.2 per cent were employers who had ceased their activities. The majority of them – 59.3 per cent – used to work in construction, while 14.6 per

[20] Persons who used to work in Israel and are absent from work owing to closures are also considered as unemployed.

Table 2. Unemployment rate by age and sex, first quarters of 2000 and 2001 (Palestinian territories)

Age	2000			2001		
	Total (%)	Men (%)	Women (%)	Total (%)	Men (%)	Women (%)
15-19	16.8	17.8	2.3	40.5	41.4	13.7
20-24	15.1	13.6	24.7	35.6	36.6	29.5
25-29	11.9	10.5	20.2	26.6	28.1	17.2
30-34	11.1	10.4	15.0	23.9	26.1	10.5
35-39	7.2	7.1	7.8	25.3	27.7	10.1
40-44	9.3	9.8	6.8	23.5	26.3	6.3
45-49	7.1	7.7	4.5	21.8	24.5	5.7
50+	6.6	8.1	–	15.2	17.1	3.7
Average	10.9	10.7	12.1	26.9	28.8	13.7

Source: PCBS labour force surveys, see, e.g. PCBS web site at http://www.pcbs.org

cent were displaced from mining and manufacturing, 10.3 per cent from commerce, restaurants and hotels and 7.8 per cent from agriculture.[27]

The social situation

91. A recently published World Bank report[28] put the level of poverty at 23.2 per cent of the total population in 1998, equivalent to about 682,000 persons. The poverty line was estimated at NIS 1,460 per month for a family of two adults and four children, equivalent to US$2.1 per day, in 1998. There was a considerable difference in poverty rates between the West Bank and the Gaza Strip. While in the West Bank the proportion of persons living below the poverty line was 15 per cent, in the Gaza Strip it was more than twice as high at 37 per cent. Nevertheless, as two-thirds of the Palestinian population live in the West Bank, 43 per cent of poor Palestinians were residents of the West Bank. The extent of poverty seems to be high for such a lower middle income economy. However, the report explains that the price levels in the occupied Palestinian territories are actually high and comparable to those of an upper income country owing to the large degree of integration with the Israeli economy, while wage

[27] PCBS: *Press conference on impact of the Israeli measures on the Palestinian labour market*, Mar. 2001 (Ramallah, Apr. 2001).

[28] World Bank: *Poverty in the West Bank and Gaza* (Jan. 2001).

levels are much lower. The report also revealed the key importance of employment for poverty reduction, as households with at least one working member were less likely to be poor. Moreover, households with members working in Israel or those with earners having higher education were much better off.

92. The displacement of Palestinian workers who used to work in Israel and Israeli settlements entailed severe income losses, estimated by UNSCO on average at US$2.6 million for each workday, i.e. in total US$245.4 million for the period from early October 2000 to the end of January 2001.[29] The PGFTU puts the daily income losses of these displaced workers higher, at US$4.5 million. Added to this are the workers who lost their jobs in the Palestinian territories as a result of the severe restrictions on the movement of persons and goods (as many as 250,000 persons according to the PGFTU), whose cumulative daily losses were estimated by the PGFTU at US$3.14 million. Hence, the total daily income loss of all displaced Palestinian workers was estimated at US$7.65 million.[30] Since the average household size was seven persons in 2000, the income losses actually affected up to seven times more than the number of displaced workers.

93. A recent PCBS survey[31] indicates that in March 2001 10.7 per cent (57,300) of Palestinian households reported that they had lost all their income during the uprising, while 49.2 per cent had lost more than 50 per cent of their usual income during the last six months. The median monthly income[32] declined by 48 per cent from NIS 2,500 to NIS 1,200 throughout the Palestinian territories: in the West Bank from NIS 2,600 to NIS 1,500 and in the Gaza Strip from NIS 1,800 to NIS 900. Comparing these results with the 2000 poverty line set for a household composed of two adults and four children at NIS 1,622, 64.2 per cent of Palestinian households were estimated to be living below the poverty line in March 2001. The share of households living in poverty in the West Bank was estimated at 55.7 per cent and in the Gaza Strip at 81.4 per cent.

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[29] UNSCO, *The impact on the Palestinian economy* ..., op. cit.

[30] PGFTU, *The impact of Israel's closure and siege on the Palestinian labour movement and PGFTU strategy to face the situation* (Mar. 2001).

[31] PCBS, *Impact of the Israeli measures on the economic conditions of Palestinian households* (Apr. 2001).

[32] The median monthly income per household is the level of income which divides the total number of Palestinian households into two parts: 50 per cent of households had their monthly income below that level and 50 per cent above it.

94. The same report examined how households coped with such considerable losses of income. The results suggested that 81 per cent of households reduced their expenditures; 55.4 per cent delayed paying bills for electricity (the price of which increased by 50 per cent during the crisis), rent, water, etc.; 35.9 per cent borrowed money; and 61.6 per cent were forced to use their savings to cover household expenses. Difficulties in paying for health care were faced by 64.4 per cent of households. In addition, access to health care deteriorated sharply as 52.5 per cent of households reported that they had encountered serious obstacles in trying to obtain health services owing to the severe restrictions on movement. The Palestinian Centre for Human Rights gave a figure of US$30 million of total debts of Palestinian households for unpaid electricity, water and telephone charges. The Centre also mentioned other survival strategies of Palestinian households, such as higher activity in agriculture, increase in informal work and casual child labour, mostly in farming and services. As children aged under 18 cannot be punished for crossing the "green line", some poor Palestinian households were forced to send their children to Israel for casual work to contribute to family income.[55]

95. In order to assist workers and their families in this dramatic social situation, in December 2000 the Ministry of Labour, in cooperation with the PGFTU, provided a lump sum of NIS 600 to some 160,000 workers (the figures given to the mission varied from 85,000 to 108,000), most of whom had lost their jobs in Israel. Free medical insurance was also offered to unemployed workers and up to now some 125,000 persons have availed themselves of it. In addition, the PGFTU began registration of unemployed workers with the aim of providing them with assistance if necessary (so far 327,000 persons have been registered). According to the abovementioned PCBS report on the economic conditions of Palestinian households, in total 68.1 per cent of all Palestinian households had received humanitarian assistance between October 2000 and March 2001, of whom 35.1 per cent were in the West Bank and 71 per cent in the Gaza Strip. Humanitarian aid, most often in the form of food assistance, was provided by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) (in 60 per cent of cases), the Palestinian Authority (in 22 per cent of cases) or NGOs and political parties.

[55] However, any increased economic activity of children aged between 10 and 14 was not reflected in labour force surveys. On the contrary, if in the third quarter of 2000 the participation rate of children aged 10-14 was 2.9 per cent, in the first quarter of 2001 it fell to 0.5 per cent, according to PCBS labour force survey data.

96. *Prospects.* The current crisis has exacerbated all the economic and social problems of the Palestinian people and has dramatically increased the level of unemployment, job insecurity and the extent and depth of poverty. In such a situation the primary request has been to provide humanitarian aid to the most hard-hit families and to relieve the heavy burden of high unemployment by expanding emergency employment generation programmes; facilitating and stimulating private business activity, including small-scale own-account activity; and encouraging social dialogue between employers and the trade unions. Once the crisis is over, the major goal will certainly be to strengthen and restructure the Palestinian economy and enhance its capacity to generate enough jobs with the aim of providing a decent income for all Palestinians. An economic development strategy, based on substantial upgrading and extension of physical and social infrastructure and promotion of business and entrepreneurship, will have to be closely coordinated with an employment and human resource development strategy. Promotion of employment should remain the task and responsibility of the Palestinian Authority. It should be done mainly by stimulating job generation in the private sector, especially through small and medium-sized enterprises. The further creation and expansion of industrial zones providing good quality new jobs are in the interests of both Palestinians and Israelis, as emphasized by both parties. It is also important to develop a labour market policy including both active measures, in particular retraining and skills upgrading to improve the quality and adaptability of the labour force, and passive measures, in order to guarantee some income support in the event of unemployment. There is indeed an urgent need to establish a basic unemployment benefit system which would provide cash benefits to persons losing their jobs, which is sorely lacking in the current economic and employment crisis. A dynamic and prosperous economy, with a stabilized labour market, well-educated labour force and a good standard of living will attract external investors, who will bring in capital and create new decent jobs.

The impact of the crisis on the Israeli economy and the labour market

The economic impact

97. The present events have also seriously affected the Israeli economy, which had just recovered from a three-year recession. The economy flourished in the first nine months of 2000, with an impressive GDP growth rate of 6.7 per cent, compared with the same period of 1999. The driving force behind this economic boom was the high-

tech sector, which contributed almost half of the growth and was supported by the development of business services. In contrast, the last quarter of 2000 saw a major GDP slowdown to 3 per cent growth (year-on-year). This was the result of a combination of factors: apart from the crisis in Israeli-Palestinian relations, there was the fall in the global stock market, hitting high-tech companies in particular, and the slowdown in the global economy. Therefore the slowdown should not be attributed only to the present crisis. Nevertheless, its effects on the Israeli economy have seriously deepened as the crisis wears on.

98. The direct effect in terms of the GDP loss in 2001, compared to its projected level before the crisis, has been estimated by the Israeli Ministry of Finance at between US$1.7 and 2.1 billion, equal to the GDP growth rate loss of some 1.5 to 1.9 percentage points. Direct economic losses are mainly concentrated in four areas: tourism, exports to the occupied Palestinian territories, construction and agriculture, although all the other industries have also to a certain extent been negatively affected by the crisis. The breakdown of the predicted economic loss for 2001 by sector is as follows: US$950 million in the tourist sector, US$300-400 million in exports to the Palestinian territories, US$400-600 million in construction and US$100 million in agriculture. Some other estimates go even higher, indicating a loss of 1-2 per cent of GDP for 2001, compared with the pre-crisis prediction, in the tourist sector alone. Moreover, the current crisis will have negative effects on a number of other economic indicators: private consumption (people may increasingly refrain from visiting shopping centres, restaurants, cultural events, etc., and spending money there); internal and particularly external investment (investors may be reluctant to invest capital in Israel in a situation of heightened economic and political uncertainty); credit rating of the Israeli economy by major world rating agencies (which is important for the availability and the level of interest rates on new credits); increasing unemployment; accelerating defence spending; and high compensation for damage to private and public property, which can hardly be quantified now.

99. The most hard-hit sector seems to be the tourist industry, which now expects the biggest economic crisis in its history for 2001. According to the Israel Hotel Association, the first nine months of 2000 saw the number of visitors to Israel increase by 25 per cent and the hotel occupancy rate by 32 per cent. The expectations for the whole of the year 2000 were 3.1 million tourists and for 2001 as many as 3.3 million. However, the outbreak of the intifada drastically reduced the inflow of foreign tourists so that in fact only 2.67 million

came in 2000. In 2001, the Association now expects only 1.7 million tourists to visit Israel and a decline in the hotel occupancy rate from 68 per cent before the crisis to only 50 per cent. The income from tourism, including air travel, was predicted before the crisis at US$4.6 billion for 2001; now the expectation is US$2.2 billion, representing a loss of US$2.4 billion. In terms of employment, the tourist industry as a whole was predicted before the crisis to employ 228,000 in 2000 and 242,000 in 2001. The actual number of workers in 2000 was only 212,000, while the current forecast for 2001 is 165,000, which means a loss of 77,000 jobs compared with the pre-crisis prediction for 2001.

100. Construction is another sector that has borne the brunt of the present crisis, mainly owing to the absence of Palestinian workers, who contribute slightly less than one-third (31.9 per cent) to total employment in this sector (70,700 workers, of whom 20,200 are registered and 50,500 non-registered, out of a total of 221,500 workers on average for the first nine months of 2000, according to data provided by the Israeli Ministry of Finance). Another 37,700 were foreign workers. Employers in construction companies were forced to resort to hiring more foreign workers to replace absent Palestinians; nevertheless, they experienced a serious shortage of skilled workers in particular and had to reduce or even stop work on many construction sites. Agriculture, in which a large number of Palestinian workers were once employed, has suffered from their absence as many agricultural products were not harvested on time or could not be packed and sent to the market, incurring severe losses for farmers. The Israeli Ministry of Labour and Social Affairs estimates that the absence of Palestinian workers in these two sectors led to an immediate shortage of 25,000 workers. Israeli employers therefore demanded an increase in the number of work permits granted to foreign workers by some 15,000 for construction and 5,000 for agriculture. In response, the Government approved an increase in the number of permits by 7,000. The Ministry also launched two programmes to mitigate the labour shortage in agriculture by encouraging high-school students to help with the citrus harvest and by subsidizing wages of unemployed jobseekers who accept work in the agricultural sector.

The impact on employment and unemployment of Israelis

101. The crisis has also had an important impact on the level of employment of Israeli workers. According to an employer survey launched by the Israeli Ministry of Labour and Social Affairs in the

fourth quarter of 2000,[51] a total of 42,000 Israeli workers were dismissed during that quarter as a result of the security-related events. The extent of dismissals might have been higher, but the Ministry adopted special arrangements to prevent dismissals of redundant workers by enterprises in economic difficulty and approved the inclusion of 7,000 workers in these arrangements. In practice, 3,000 employees were involved in these arrangements in the last quarter of 2000. Moreover, the shortage of Palestinian workers led Israeli employers to hire some 4,500 Israeli workers to partly replace them. In addition, some sectors continued to hire small numbers of Israeli workers. The cost of the uprising in terms of employment losses in enterprises, compared with predictions for 2000 made before the crisis, was thus estimated at some 34,000 jobs. The security-related events reduced the predicted annual growth rate of employment of Israelis in the business sector from the predicted 5 per cent to only 2.9 per cent. The rate of unemployment was projected to reach 8.5 per cent in the last quarter of 2000 but was actually higher by 0.4 percentage points and reached 8.9 per cent. No estimates of labour market effects were provided for 2001 but they are assumed to be much higher, increasing with the protracted crisis.

Technical cooperation

102. Last year, the Director-General of the International Labour Office, in order to give a new impetus to the Organization's technical cooperation programme in the Palestinian territories, took a number of initiatives to enhance, strengthen and extend in this sphere activities with the Palestinian Authority and the social partners. In particular, a high-level multidisciplinary mission was fielded to Gaza and the West Bank from 31 January to 11 February 2000 with a view to designing, in consultation with the tripartite partners, a coherent programme of technical cooperation activities meeting the Palestinians' development needs.

103. Based on numerous consultations, including with employers' and workers' organizations, the Office identified a new generation of projects and prepared 18 project proposals, the vast majority of which responded to the priorities set forth in the Palestinian Development Plan (PDP) for 1999-2003 drafted by the Palestinian Authority. These proposals came under five categories: promotion of employment; social protection; social dialogue; fundamental principles

[51] Ministry of Labour and Social Affairs: *Effects of the security-related events on the employment of Israelis in the business sector, fourth quarter 2000.*

and rights at work; and strengthening gender mainstreaming.[55] They had been welcomed by everyone, including donors. The September 2000 uprising prompted the Office to review its approach to technical cooperation in the Palestinian territories. It reoriented its resource mobilization strategy towards cofinancing and strengthening the partnership with financing institutions (notably UNDP and the World Bank) and donor countries.

104. During the crisis in Israeli-Palestinian relations, on 24 November 2000 the Director-General met a high level Palestinian delegation (composed of the Minister of Labour and the President of the Federation of Palestinian Chambers of Commerce, Industry and Agriculture) and, at the end of January 2001, the General Secretary of the PGFTU. During these meetings it was agreed that the ILO would consider the possibility of rapidly implementing projects to promote self-employment and vocational rehabilitation of people with disabilities as well as income-generating activities for local communities. On 15 December 2000, the Director-General set up a Task Force to develop an Emergency Employment Generation Programme in the Palestinian territories.[56] From 12 to 15 March 2001, another ILO high-level mission was fielded to the territories to present the programme formulated by the Task Force to the Palestinian tripartite partners in order to match it to the priorities set by the Palestinians in the context of the current events and to identify ways of integrating it in the emergency programmes formulated by PECDAR,[57] UNDP and the World Bank. In addition, prospects for financing the projects

[55] For further details on these proposals, see para. 89 of the 2000 report of the Director-General on the situation of workers of the occupied Arab territories.

[56] This Task Force is comprised of officials from different sectors of the Office: Director-General's Office; Regional Office for Arab States; Arab States Multidisciplinary Advisory Team; the ILO's Senior Programme Adviser and General Coordinator for the West Bank and Gaza; Development Cooperation Department; Bureau for Employers' Activities; Bureau for Workers' Activities; Employment-Intensive Investment Branch; Employment Strategy Department; Social Finance Unit; InFocus Programme on Promoting the Declaration; InFocus Programme on Crisis Response and Reconstruction; InFocus Programme on Boosting Employment through Small Enterprise Development; Skills Development: InFocus Programme on Skills, Knowledge and Employability; InFocus Programme on Strengthening Social Dialogue; Social Protection Sector; Cooperative Branch; and Strategies and Tools against Social Exclusion and Poverty, as well as the International Training Centre of the ILO in Turin.

[57] This institution's tasks include implementing the emergency programme adopted by the World Bank (Immediate and Short-term Action Plan, Jan. 2001) and the Palestinian Authority's plan (Emergency Response Programme, West Bank and Gaza, Nov. 2000).

developed by the Task Force were explored in consultation with the Palestinians and the donors present on site.

105. The proposals initially formulated by the Task Force and the priorities that it had defined were endorsed by the Palestinian officials and accepted after in-depth discussions. The two sides identified the following priorities:

- employment creation and income generation through a multi-component support programme at the community level;
- vocational rehabilitation of the disabled and youth with special needs;
- vocational training and skill enhancement for a better future;
- combating child labour;
- employment mapping and monitoring of the situation through employment services; and
- capacity-building for social partners with a view to responding to the crisis.

106. Some of the existing or approved projects will be integrated in the ILO's Emergency Employment Generation Programme, since there is a certain degree of overlap between some of the activities under the emergency programme and those under existing projects. If the interest expressed by donors (in particular the World Bank and UNDP) at the numerous meetings held on site is translated into action, the Office hopes to be able in the very near future to recruit an employment specialist (based in Jerusalem) to support the implementation of its emergency employment generation programme and a training consultant for infrastructure reconstruction and rehabilitation, who would work for PECDAR.

107. This second high-level mission also provided an opportunity for the ILO to develop synergies with the other intergovernmental organizations established locally and to draw attention to the need to involve the social partners as much as possible in the process of developing and implementing the different activities envisaged for the Palestinian territories. The ILO was invited to join the Sectoral Working Group on Job Creation, whose members include UNDP, with the Palestinian Ministry of Planning and International Cooperation and the Swedish technical cooperation agency in charge of coordination. Opportunities for concrete collaboration between the World Bank and the ILO were explored with the representative of the World Bank. In a letter to the President of the World Bank dated 27 April 2001, the Director-General of the ILO officially informed him of the availability

of the Office to participate in the implementation of the World Bank's Emergency Response Programme and to extend it to the Palestinian social partners. New opportunities for cooperation with UNDP are envisaged, in particular in the context of collaboration between *Universitas* and the Poverty Alleviation Programme, as well as with the Islamic Development Bank. It should also be pointed out that in March 2001, the Director-General of the ILO met with the Commissioner-General of UNRWA to discuss possibilities of joint cooperation between the two organizations.

108. The second high-level mission also held meetings with potential donors to inform them of recent initiatives by the Office and to ascertain their priorities with regard to technical cooperation activities in the territories. It appears that for most donor countries technical cooperation was essentially perceived in recent years as a means of supporting the peace process. The uprising has compelled them to rethink their position. It emerged from these discussions that in the present context donors are reluctant to finance technical cooperation projects alone and that the focus should be on coordination of efforts and a cofinancing strategy. The donors also wondered whether certain technical cooperation activities were feasible in the current crisis. Therefore many of them intend to give priority to long-term investment and focus mainly on vocational training and the development of job opportunities inside the territories in order to curb the brain drain and youth exodus.

109. Pending the outcome of its efforts with regard to donor countries and organizations likely to finance its emergency programme, the ILO has mobilized some US$300,000 to initiate the activities under its emergency programme (through the InFocus Programme on Crisis Response and Reconstruction's Rapid Action Fund and the ordinary budget) while ensuring continuity of ongoing activities.

110. Despite the many practical difficulties encountered daily, during the period under review the ILO has endeavoured as far as possible to continue to implement its technical assistance programme in the Palestinian territories within the framework of the Memorandum of Understanding signed in January 1994 with the Department of Economic Affairs and Planning of the Palestine Liberation Organization (PLO) and endorsed by the Palestinian Authority. Mention should be made of the following activities.

Approved projects and pipeline projects

- PAL/97/OIM/ITA – Technical Assistance to the PGFTU: the project was approved in 1997 with a total budget of US$325,214. It is

designed to assist members of the Palestine General Federation of Trade Unions (PGFTU) in the formulation, development and implementation of vocational training policies. The project became operational in the first half of 2001 and is currently being backstopped by the Bureau for Workers' Activities (ACTRAV).

- Establishment of a vocational rehabilitation centre for people with disabilities and youth with special needs in Hebron (US$3.5 million). The project proposal was submitted to the United Arab Emirates for funding in December 2000. In January 2001 the Red Crescent Society in the United Arab Emirates confirmed its approval for contributing US$1 million to the project.
- PAL/96/OIM/UAE – The ILO continues to provide technical support to the Palestinian Employment Programme (PEP), in particular through the multidisciplinary team and the Regional Office for Arab States in Beirut (establishment of the Ministry of Labour of the Palestinian Authority, strengthening of employment services, implementation of an operational labour market information service, etc.).[38]

Mission

- Emergency Programme for Job Creation and Income Generation in the Palestinian Territories (US$1.4 million). The project proposal was submitted to the French Government for possible funding and a mission should be fielded to the territories in the very near future.

* * *

111. It is worth mentioning that all of the present mission's interlocutors, whether Palestinian or Israeli, stressed the need for the ILO to continue its technical cooperation activities despite the difficulties caused by the present situation. The Palestinian interlocutors expressed the desire to receive assistance for the distribution of income transfers to the most needy as well as towards development and reconstruction in the territories. Along these lines, they generally emphasized the following three areas: (a) labour-intensive job creation, especially sustainable jobs; (b) human resource development (in particular vocational training of women, young persons and people with disabili-

[38] For further details on this programme see paras. 62-63 of the 1999 report of the Director-General on the situation of workers of the occupied Arab territories and para. 79 of the 2000 report.

ties) including in the following specific sectors: the food, chemical, clothing, textile, footwear and leather industries; and (c) the provision of advisory services, in particular in the field of vocational training and community social work.

112. Although they were aware of the difficulty of doing so in the present circumstances, the mission's Israeli interlocutors requested the ILO to hold training seminars or workshops, for example outside the region (the Turin Centre was mentioned), which could be attended by Palestinian and Israeli participants and/or trainers in order to maintain dialogue between the two peoples in the areas within the ILO's terms of reference; such dialogue could initially be limited to the relevant employers' and workers' organizations.[39] The Israeli interlocutors considered that in order to be truly effective the technical assistance provided to the Palestinians should also involve the Israelis. Nonetheless, they supported any assistance which could be of real help to the Palestinian population (development of infrastructure such as water supply, electricity, roads, etc.). In addition, they informed the mission that in recent years the number of NGOs accredited by Israel and addressing Palestinian problems had risen from five to over 40.

Concluding remarks

113. As in the past, and in the light of the resolution adopted in 1980 by the International Labour Conference, this report has endeavoured to describe the situation of workers of the occupied Arab territories. The preceding pages reflect a serious deterioration in the living and working conditions of these workers. Many of the points raised in the report are consequences of the political and military situation prevailing in the region. While this dimension does not fall within the ILO's area of competence – although everyone hopes that Palestinians and Israelis alike will put an end to the violence and resume the peace process – its repercussions inevitably have a bearing on the social and labour issues within the Organization's mandate. Total and partial closures and encirclement measures have a lasting impact on both the employment and the income of the workers covered by this report.

[39] To quote one of the Israeli personalities who met with the mission, the ILO's major contribution to the peace process is to do everything in its power to ensure that the areas within its mandate once again become "an island of certainty in an ocean of uncertainty".

114. Everywhere, the vicious circle of fear, suspicion and violence has had dramatic repercussions on the standard of living of Palestinian workers. It has seriously impaired Palestinian employers' ability to carry out their activities. It has also affected – albeit to a far lesser extent – the productivity of Israeli enterprises of all sizes. Moreover, Israeli employers are increasingly reluctant to hire Palestinian workers, fearing physical violence against themselves, their families and other workers in the enterprise.

115. A way out of this vicious circle must be found. It may be simpler to address the problem from the standpoint of the technical – but no less human – issues of employment and labour than from a broader perspective. A targeted technical cooperation programme by the ILO could certainly contribute to alleviating the situation of the Arab populations concerned. An important ILO mission was fielded to the area before the uprising. Since then, others have gone to the Palestinian territories and put forward emergency programme proposals. All of these projects are mentioned in the preceding pages. Among these, the mission's Palestinian interlocutors gave clear priority to vocational training, whether in the form of assistance for establishing specialized institutions or of emergency programmes in specific sectors: clothing and textiles; leather and footwear; and the food and chemical industries. Given the fragmentation of the Palestinian territories, and the restrictions imposed at border crossings and even prohibiting movement altogether, it was suggested to the mission that projects be developed at the local level; likewise trainers' courses could be organized outside the territories and, in particular, at the International Training Centre of the ILO in Turin. The Israeli authorities expressed a clear commitment to refrain from placing obstacles in the way of this technical assistance. They would even like to benefit from such training themselves at a later stage, as well as from enriching contacts between trainers on both sides.

Geneva, May 2001.

Price: 12.50 Swiss francs
ISBN 92-2-111969-6